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Dorgan's proposal is FASST plan :

SENATE HEARING CONSIDERS DORGAN PLAN TO END TAX FILING DAY HEADACHES FOR MILLIONS – FOREVER

(WASHINGTON, D.C.) — A U.S. Senate subcommittee considered a plan Thursday by Senator Byron Dorgan (D-ND) that would end tax filing day headaches forever by reforming the nation's tax collecting system so that most Americans will never have to file a federal income tax return again. The hearing, before the Senate Appropriations Subcommittee on Treasury and General Government, examined Internal Revenue Service (IRS) progress toward developing a return-free tax collection system, and Dorgan's plan specifically.

Among those who reacted to Dorgan's plan at the hearing were IRS Commissioner Charles Rossotti and Deputy Assistant Secretary of the Treasury (Tax Analysis) Leonard Burman.

Dorgan is the Ranking Member of the subcommittee. He says under his plan up to 70 million Americans would be freed from the annual ritual of filing a federal individual tax return. The plan is known as the Fair and Simple Shortcut Tax (FASST) plan.

A summary of the proposal follows:

THE FAIR AND SIMPLE SHORTCUT TAX PLAN WOULD DO THE FOLLOWING:

- C **ELIMINATE THE YEARLY TAX RETURN** -- It would allow 60 to 70 million Americans to never again have to file an annual federal individual income tax return. They could pay their taxes by having their tax withheld with more precision from their paycheck by their employer and that would become their actual tax liability. No more April 15 deadline. No more complicated IRS audits. No more searching for financial records.
- C **ESTABLISH A SINGLE RATE OF 15%** -- Married couples with up to \$100,000 in yearly wage income (individuals up to \$50,000 in yearly wage income) and who have \$5000 or less in non wage income (dividends, interest, capital gains, etc.), will be able to choose the shortcut tax plan and pay a low 15% tax rate on their wage income after deductions. Their tax would be withheld from their paycheck and sent to the IRS by their employer and no tax return would need to be filed by the taxpayer.
- C **ALLOW UP TO \$5,000 OF INVESTMENT AND OTHER INCOME TAX FREE** -- Those who qualify for and choose the shortcut tax plan can earn up to \$5,000 a year (\$2,500 for singles) in other income and it will be exempt from tax. This will provide an incentive for savings and investment.
- C **RETAIN HOME MORTGAGE INTEREST DEDUCTION** -- The plan will allow taxpayers to retain key tax deductions and credits such as a home mortgage interest deduction, the standard deduction, and the child tax credit.
- **RETAIN THE EARNED INCOME TAX CREDIT (EITC)**: Taxpayers who now qualify for and claim the Earned Income Tax Credit would continue to be able to do so under the FASST plan.

The purpose of the Fair and Simple Shortcut Tax Plan is to allow as many as 60 to 70 million people to comply with their tax obligation without having to file a yearly return.

It is nearly impossible to make the tax system as simple for upper income taxpayers who have more complicated investment incomes and expenses. But Dorgan's plan also proposes changes that will benefit taxpayers in the upper income category as well.

HERE'S HOW THE FAIR AND SIMPLE SHORTCUT TAX PLAN WOULD WORK

Every employee who works for wages now completes a W-4 Form at their place of work. Under Dorgan's plan, those taxpayers who are eligible and who want to avoid having to file an annual individual income tax return will simply check the box on the W-4 Form for the "shortcut" method. The taxpayer will check boxes for personal exemptions, standard deduction, home ownership and one or two other categories. That will allow the employer to use a tax table furnished by the IRS to compute the exact withholding from the employee's paycheck. That withholding becomes the taxpayer's exact tax liability and the taxpayer does not have to file a yearly income tax return. If the employee's status changes during the year and they want to file a tax return under the current law, they can choose to do that.

Over 30 countries allow taxpayers to satisfy their income tax obligation without having to prepare and file a tax return. "We can and should do that here in the United States," Dorgan said.

OTHER TAX CHANGES

In addition to changing the individual income tax system to give taxpayers the choice of not having to file an annual tax return, the plan proposes changes in the current tax system for those taxpayers who continue to use it.

- It would take steps toward eliminating the "marriage penalty" by allowing married taxpayers to claim a standard deduction that is double the amount given to single taxpayers. The current law denies that, and as a result it contains a penalty for many taxpayers who are married and filing joint returns.
- It would allow those who choose to continue to file a federal individual tax return to deduct up to \$1,000 in interest or dividend income.
- It would eliminate the complicated Alternative Minimum Tax (AMT) computation for most individual taxpayers and small businesses. The AMT is horribly complicated and was intended to apply to the largest corporations who were earning a lot of income but finding ways to reduce their tax liability to zero. It was never intended to complicate the lives of small businesses and individual taxpayers.
- It would allow those taxpayers who hire others to prepare their tax return to take a tax credit of 50% of the costs up to \$500 provided the tax return is filed electronically.
- The FASST plan provides a 50% tax credit of up to \$1,000 in expenses incurred by employers who will be required to do a small amount of additional work to help the employee fill out a revised W-4 Form under the Fair and Simple Shortcut Tax plan outlined above.